



## GLOBAL MARKET OVERVIEW

Major global equity indices broadly rose during the month, except for the Hang Seng Index which returned -0.1% during August. News of the Delta COVID-19 variant in the U.S. and its resurgence in China continued to dominate headlines. In the U.S., the S&P 500 Index returned +3.0% during August. The Chicago Fed National Activity Index increased to 0.53 in July, up from -0.01 in June. The JOLTS job openings survey reflected a series high increase, with the August employment data also showing a decline in the unemployment rate to 5.2%. Despite this, the NFIB Small Business Optimism survey showed a decrease to 99.7, contrasting from the gain recorded in June. Housing starts were also down in July by -7.0% from June levels. In Europe, the Euro STOXX 50, German DAX and FTSE 100 returned +2.6%, +1.9% and +2.1%, respectively. The Euro Area unemployment rate declined to 7.6% in July, while the annual Harmonised Index of Consumer Prices (HICP) increased to 2.2% in July. This marks the highest level since October 2018. Further, the Euro Area Business Climate Indicator moderated to 1.75 in August, down from 1.88 points in July. In Australia, the ASX 300 Index returned +2.6%. July data revealed retail trade declined by 2.7% during the month while unemployment declined to 4.6%. Meanwhile, the underemployment rate increased to 8.3% as the Flash PMIs for August reflected 15-month lows in the Composite Output, Services Business Activity indices and a 14-month low in the Manufacturing Output index. This data is on the back of continued lockdowns across several Australian states due to the spread of the Delta variant, as well as historically elevated input price inflation. Communication Services (+4.0%), Financials (+4.0%), and Information Technology (+4.0%) were the best performing MSCI World Index sectors, whilst Energy (-0.7%), Materials (+0.1%), and Consumer Discretionary (+1.0%) were the worst performers. The U.S. dollar was broadly stronger against most G10 currencies during August, except against the New Zealand Dollar and Norwegian Krone.

### Top 5 Holdings

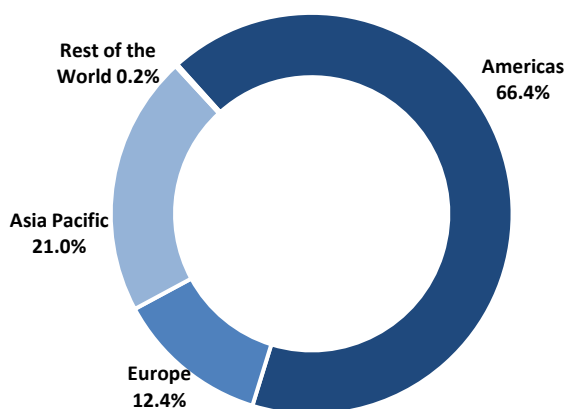
	Portfolio (%)	Benchmark (%)
Tesla Inc.	12.2	0.9
Amazon, Inc.	9.3	2.5
Square, Inc.	8.1	0.2
PayPal Holdings Inc.	7.3	0.5
Facebook Inc.	7.0	1.5

### Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	18.6	9.3
Consumer Discretionary	29.8	11.7
Consumer Staples	2.2	6.9
Financials	0.6	13.4
Health Care	3.1	12.8
Information Technology	37.8	22.8
Cash	7.8	--

Due to rounding, portfolio weights may not sum perfectly to 100.0%

### Geographical Weight by Source of Revenue



Source: Hyperion Asset Management

Due to rounding, portfolio weights may not sum perfectly to 100.0%

All data as at 31<sup>st</sup> August 2021

### Market Capitalisation (AUD)

	Portfolio (%)	# Stocks
\$0 - \$50bn	0.6	1
\$50 - \$100bn	9.3	3
\$100bn +	82.2	20
Cash	7.8	--
Total	100.0	24

Due to rounding, portfolio weights may not sum perfectly to 100.0%

### Top 5 Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Tesla Inc.	49.4	12.1	7.3
Square, Inc.	70.0	9.7	6.7
PayPal Holdings Inc.	43.1	7.4	2.9
Alphabet Inc. Class A	79.7	3.5	2.3
Microsoft Corporation	35.4	5.0	1.9

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Spotify Technology SA	-4.7	3.8	-0.3
Alibaba Group Holding	-27.9	0.6	-0.4
Amazon Inc.	1.8	9.1	-0.4
Salesforce Inc.	-1.5	4.7	-0.5
Alibaba Group Holding Ltd	-17.6	1.2	-0.6

\*Stock not currently held in the portfolio.

### Portfolio Characteristics <sup>^</sup>

	Portfolio
Number of Holdings	24
Top 10 Security Holdings (%)	65.8
Dividend Yield (%) <sup>*</sup>	0.2

\*Trailing. <sup>^</sup>Data based on composite. Before fees.

#### CONTACT US

#### DISTRIBUTION PARTNER

Pinnacle Investment Management Limited

Tel: 1300 010 311

distribution@pinnacleinvestment.com.au

## PORTFOLIO HOLDINGS UPDATE

### Square, Inc. (SQ-US)

Primary Exchange **NYSE**  
GICS Sector **Information Technology**  
Market Cap (US\$m) **106,530**



On August 2, 2021, Square, Inc. (Square) announced plans to acquire Afterpay Limited (Afterpay) through a Scheme Implementation Deed. Square intends to integrate the Afterpay product into its Seller Ecosystem and Cash App product to further expand its current offerings. The acquisition will see the unison of two founder-led businesses, with the potential for long-term growth synergies through the combination of both company's large and complimentary customer bases of consumers and merchants. The two businesses have aligned goals, and the acquisition will accelerate Afterpay's market leadership, while providing Square with highly valuable global consumer, and enterprise merchant relationships. The transaction is worth an implied value of US\$29b, and Afterpay shareholders will receive a fixed exchange ratio of Square stock in exchange for each Afterpay share owned. Square also announced its second quarter results for FY21 during the month. Both Cash App and the Seller Ecosystem saw strong revenue growth of 86% to US\$606m (excl. Bitcoin revenue) and 81% to US\$1.3b respectively. The business recorded 40 million monthly transacting Cash App users and the second quarter marked a fourfold increase in the volume sent through the Cash App. Square Banking was also launched within the Seller Ecosystem which includes savings and checking accounts with FDIC account insurance, and will be combined with Square Loans to offer merchants a simple to use, all-in-one banking product. Management highlighted their ongoing initiatives to continue growing the business throughout 2021 with increased investments, namely guiding to incremental non-GAAP operating expenses which will increase by US\$1.1b to US\$1.2b for the full year of FY21.

### ServiceNow, Inc. (NOW-US)

Primary Exchange **NYSE**  
GICS Sector **Information Technology**  
Market Cap (US\$m) **127,505**



ServiceNow Inc. released its second quarter FY21 results in late July, reporting that subscription revenue increased 31% year-over-year to US\$1.3b while total revenue increased 32% year-over-year to US\$1.4b. The business noted a 97% renewal rate over the period, reflecting the importance of the Now Platform to customers' operations. ServiceNow will recognise US\$4.7b in current remaining performance obligations (cRPO) revenue over the next 12 months, an increase of 34% over the year. Management reported that the enterprise digital transformation market is expected to grow close to three times faster than GDP in 2021, which provides a strong tailwind for ServiceNow as enterprises look to modernise their IT infrastructure. During the quarter, ServiceNow announced the acquisition of Lightstep, an observability focussed product which accelerates digital transformation processes for customers, and an integration with Microsoft 365 to allow cloud PC access via Teams. ServiceNow saw strong performance across its IT, employee, customer and creator workflows. During the second quarter, 51 deals with an average contract value (ACV) of over US\$1m were closed by the business. Management is confident in ServiceNow's progress to becoming an over US\$15 billion revenue company. Moving forward, ServiceNow remain confident in the continued acceleration of digital transformations in the hybrid environment, with the business to benefit from further reopening of economies. Management provided a positive outlook for the remainder of FY21, upgrading subscription revenue guidance to between US\$5.53b and US\$5.54b, as well as increasing the full year operating margin guidance from 23.5% to 24.5%.

### Intuitive Surgical Inc. (ISRG-US)

Primary Exchange **NASDAQ**  
GICS Sector **Health Care**  
Market Cap (US\$m) **125,364**



Intuitive Surgical Inc. (Intuitive Surgical) announced its second quarter FY21 result in late July. Global Da Vinci procedures increased by 68% over the prior corresponding period, with second quarter FY20 being heavily impacted by the COVID-19 pandemic. The recovery from second quarter FY20 levels was apparent across all core business metrics with the company shipping 328 da Vinci systems during the quarter, a 84% increase compared to the 178 systems shipped in the second quarter of FY20. Management noted leasing represented 33% of these placements, with strong demand from integrated delivery networks (IDNs). The trade-in proportion of placements also declined from 44% in the first quarter to 38% in the second quarter. The business grew its installed base to 6,355 in the period ending June 30 2021, and the utilisation rate improved by 55% on second quarter of FY20 and 11% on the first quarter of FY21. Revenue grew by 72% to US\$1.5m, reflecting an average growth rate of 15% per annum from the second quarter FY19 results. Management raised guidance on procedure growth to 27-30% for the full year, a result of anticipated improvements across both U.S. general surgery and procedures outside of the U.S. Further, management upgraded guidance incrementally on both gross margins and operating expenditures. During the month, Intuitive Surgical also announced a 3-for-1 stock split which will take effect in early October.

#### **DISCLAIMER – HYPERION GLOBAL GROWTH COMPANIES FUND (MANAGED FUND)**

This communication is prepared by Hyperion Asset Management Limited (ABN 80 080 135 897 AFSL 238 380) ('Hyperion'), as the investment manager of the Hyperion Global Growth Companies Fund (Managed Fund) (ARSN 611 084 229) ('the Fund'). Pinnacle Fund Services Limited (ABN 29 082 494 362 AFSL 238 371) ('PFSL') is the product issuer of the Fund. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') (ABN 22 100 325 184). The Product Disclosure Statement ('PDS') of the Fund is available at <https://www.hyperion.com.au/>. Any potential investor should consider the PDS before deciding whether to acquire, or continue to hold units in, the Fund.

This communication is for general information only. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is for illustrative purposes only and is not indicative of future performance. Unless otherwise specified, all amounts are in AUD. Due to rounding, numbers presented throughout this report may not sum precisely to the total indicated and performance percentages may not precisely reflect the absolute returns.

Whilst Hyperion, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Hyperion, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

Any opinions and forecasts reflect the judgment and assumptions of Hyperion and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future.

Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Hyperion. Pinnacle and its associates may have interests in financial products and may receive fees from companies referred to during this communication.

This may contain the trade names or trademarks of various third parties, and if so, any such use is solely for illustrative purposes only. All product and company names are trademarks™ or registered® trademarks of their respective holders. Use of them does not imply any affiliation with, endorsement by, or association of any kind between them and Hyperion.

Morningstar Disclaimer: Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'classservice' have been prepared by Morningstar Australasia Pty Ltd (ABN:95090665544, AFSL:240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to Morningstar Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest. Morningstar publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance is for illustrative purposes only and is not indicative of future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN004523782 ("ASXO").

Morningstar Awards 2021 (c). Morningstar, Inc. All Rights Reserved. Hyperion Asset Management has been Awarded the Overall Fund Manager of the Year in Australia. Awarded in both the categories Domestic Equities - Large Cap and Domestic Equities - Small Cap.